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## A Powerful ITC Tool For Fighting Counterfeits, Knockoffs

Law360, New York (September 22, 2016, 1:07 PM EDT) -- The owners of popular brands, trademarks and designs have been confronted with a rising tide of counterfeits and knockoffs. The products may be straight counterfeits — products using the trademarked brand names and identical to the legitimate product — or knockoffs, which copy a designer or brand's style, trade dress, or patented designs without containing logos or brand names but are still so confusingly similar that consumers assume that they are branded products. To fight this, brand and trademark owners are turning to new strategies such as actions under the Racketeer Influenced and Corrupt Organizations Act and the Lanham Act, and pulling products from Amazon and other websites.[1]



Aarti Shah

In fighting counterfeits and knockoffs, one powerful tool that brand, trademark and design patent owners should be sure not to overlook is the option of obtaining a general exclusion order from the U.S. International Trade Commission, which allows owners of brands and intellectual property to stop counterfeits and knockoffs from entering the United States, regardless of who they are made by. The procedure offers significant advantages over other strategies to fight counterfeits, such as district court litigation, trademark registration with U.S. Customs and Border Patrol, or working through website-specific processes, and should be considered by all intellectual property owners combating knockoffs and counterfeits.



James Wodarski

The struggle of brand, trademark, and design owners to fight counterfeits and knockoffs has been aptly described as a game of whack-a-mole. Intellectual property owners expend money, time, and effort obtaining an injunction against a counterfeiter, or getting knockoffs removed from one website, only to find that the infringer evades the injunction by changing their name or address, or that the seller merely starts selling on another website or under another name, or evades Customs by tweaking their products slightly.

Some examples illustrate the degree of effort and frustration undergone by brand owners. Farouk Systems Inc., owner of the "CHI" mark used for high end hair irons and hair products, was faced with a flood of counterfeits and knockoffs coming in through websites, distributors, and eBay. Farouk filed over 21 lawsuits in the U.S. district courts, hired a company to monitor websites selling unauthorized products, and worked with eBay to prevent sales of knockoffs and was still unable to stop the tide of infringing products.[2]

In the case of Louis Vuitton, the company tried numerous avenues to prevent the sales of the ubiquitous counterfeit and knockoff handbags — sending cease-and-desist letters, bringing trademark enforcement actions in the U.S. district courts, and even instituting criminal proceedings against the sales of counterfeits. However, all of this was insufficient as so many websites sold knockoff items and the manufacturers and sellers of the counterfeit bags easily formed and dissolved and thereby evaded injunctions.[3]

The products of LitePanels, an Emmy-winning producer of lighting panels, were so widely copied

that over 60 manufacturers produced over a thousand infringing products for sale. The infringers evaded punishment by importing their goods under multiple and changing business and brand names, engaging in extensive rebranding, and changing the methods of importing their products. [4] After trying other methods to stop the infringement, all three brand owners eventually turned to the ITC to seek a general exclusion order and obtain relief. Farouk, Louis Vuitton and LitePanels all obtained GEOs barring counterfeits and knockoffs from entering the United States.

The ITC is an independent federal agency that gained prominence as one of the primary forums for high stakes patent litigation, particularly the smartphone wars. The ITC has many functions, including a role in administering the nation's intellectual property laws through proceedings under 19 U.S.C. §1337, often called "Section 337." Possible remedies available to parties who are successful in their Section 337 actions include limited exclusion orders and general exclusion orders. A major difference between the ITC and a district court is that the ITC proceedings are in rem, and focus on infringing products, not the makers of the products. Thus, a limited exclusion order is an order directing Customs to exclude from entry into the United States all products from the named infringers which infringe the brand, trademark, or design owner's intellectual property rights. A GEO is similar but much broader — unlike the LEO, it is not limited to named infringers, and rather directs Customs to exclude from entry into the United States all products which infringe the intellectual property owner's rights, regardless of who makes or imports the products. Thus, a GEO allows the intellectual property holder to stop the importation of all counterfeits and knockoffs, even when the makers, sellers, or importers are not known.

The procedure for obtaining a GEO is somewhat similar to litigation in the district courts, but with some significant differences, the most relevant of which are the domestic industry requirement, the involvement of the ITC staff, the administrative hearing and speed. Though the ITC generally follows the same substantive law of patent and trademark infringement as the district courts, ITC proceedings may also encompass common law trademarks, trade dress violations, passing off, deceptive advertising, and other practices falling in the category of "unfair methods of competition" or "unfair acts." However, to take advantage of the ITC the rights owner must not only own the relevant intellectual property but must also have a "domestic industry" in the United States.

Once the proceeding is initiated, it proceeds much like a district court proceeding, following the same discovery procedures, albeit on a much expedited basis where discovery seldom lasts more than seven months. In many ITC investigations, in addition to the rights owner and the accused infringer there will be a third side participating — an investigative attorney from the ITC's Office of Unfair Import Investigations participates to protect the public interest. The hearing, which happens within nine months of the beginning of the investigation, is before an administrative law judge without a jury. The judge will issue her opinion within three months of the hearing, and then this opinion is subject to review by the ITC commissioners, and by law the ITC's final decision must issue within 16 months of the investigation's start.

As was mentioned above, a key difference between the ITC proceedings and those of the district courts is that the ITC proceedings are in rem, and this fact offers brand owners many advantages. As the stories of Farouk, Louis Vuitton and LitePanels show, a major limitation of the district courts is that their jurisdiction generally relates to the accused infringer, and thus their orders can be evaded when an infringer changes their name or address. Moreover, the injunctions are not effective against parties whose identities or locations are unknown, such as internet sellers. As GEOs exclude all violating products, regardless of their makers' name or address, the GEO is still effective when sellers change their names or locations, or when the identities of sellers are unknown. Indeed, the GEO will exclude the products of sellers who were not even manufacturing at the time the GEO went into effect, or the products of makers who individually sell amounts too small to make prosecution cost-effective, yet collectively sell enough to harm.

Similar to the way the ITC's jurisdiction can encompass a greater range of accused infringers, the ITC can also encompass certain unfair acts — such as common law trademarks, trade secret infringement and others — that the district courts do not have jurisdiction over. Another significant advantage to the GEO proceeding over the district court is speed. By law, intellectual property owners must receive their ITC decision within 16 months, which itself is much faster than many district courts. A recent analysis we conducted shows that in the majority of ITC investigations where GEOs were issued — 62 percent — the investigations were resolved without a hearing as all

the accused infringers either settled or defaulted, and within nine months.

In addition to seeking redress from the district courts, right owners often attempt to seek relief through registering their trademarks with Customs. Though this is undoubtedly a useful procedure, the ITC GEO offers significant advantages over this as well. The ITC's advantages lie in the expanded scope of acts it may address. The Customs registration proceeding only applies to registered trademarks and copyrights — one may not register unregistered trademarks, trade dress or design patents. Thus a product identical to a branded product in every detail except not using the brand name would not be stopped because it does not infringe the trademark, even though it was confusingly similar to customers. The ability to obtain a GEO on design patents or trade dress allows rights owners to fight this problem.

In addition to trying the district courts and registering their trademarks with Customs, brand owners often try to work with individual websites, like eBay or Amazon, to fight counterfeits and knockoffs, but this too has limitations, primarily relating to efficiency. Intellectual property owners must go through a separate process for each individual website — eBay, Amazon, Ali Baba, etc., and sometimes may have to go through a separate effort for each seller or listing on the site — monitoring all listings and reporting them individually to the website and asking for them to be taken down. The monitoring of all the websites and listings, plus the time it takes to report the listings and make sure they are taken down, may be extremely time consuming and further, is generally only done on the largest websites, leaving sales through smaller channels untouched. As the GEO stops the products themselves from entering the U.S., regardless of the seller they are going to or were produced by, it allows the rights owner to address the infringement on multiple sights, and by multiple sellers in one proceeding.

The advantages of a GEO described above explain why it is attractive to holders of intellectual property, and why they have been increasingly availing themselves of the ITC as a forum to fight knockoffs. Since the beginning of 2012, over one-third of the exclusion orders issued by the ITC — 36 percent — have been general exclusion orders. Moreover, the general exclusion orders limited not to infringement of utility patents—29%, or almost a third, involved the infringement of either trademarks or design patents. Many of the companies seeking these orders are high profile — parties who have obtained such orders in recent years (in addition to Farouk Systems, Louis Vuitton and LifePanels) include Converse, Crocs, Segway, Canon and Epson, among others. The orders have covered products as diverse as hair irons, purses, shoes, toner cartridges, toy fish, hover boards, and LED devices. This diversity in brands and types of products shows the flexibility and power of the ITC GEO, and all owners of brands, trademarks, and patented designs seeking to reduce counterfeits and knockoffs should seriously consider the benefits of this tool.

—By Aarti Shah and James Wodarski, Mintz Levin Cohn Ferris Glovsky and Popeo PC

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***DISCLOSURE: Aarti Shah was government counsel in the ITC investigation involving Farouk Systems. James Wodarski was lead counsel for LifePanels in the LifePanels ITC investigation.***

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[1] On Counterfeit Goods, Lots of Action But Little Progress, Bill Donahue, Law 360, Sept 6, 2016.

[2] Certain Hair Irons and Packaging Thereof, USITC Inv. 337-TA-637, Commission Opinion, June 20, 2009.

[3] Certain Handbags, Luggage, Accessories, and Packaging Thereof, USITC Inv. 337-TA-754, Commission Opinion, June 13, 2012.

[4] Certain LED Photographic Lighting Devices and Components Thereof, USITC Inv. No. 337-TA-804, Commission Opinion, February 28, 2103.

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